

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 PA-03 PRS-01 USIA-15 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

COA-02 HEW-08 DRC-01 /127 W

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TO SECSTATE WASHDC 5284

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SUBJ: IMPLEMENTATION OF GOU ECONOMIC REFORMS

REF: MVD A-131

1. THE FIRST DEADLINES FOR IMPLEMENTATION OF THE ECONOMIC REFORMS PROPOSED BY THE SAN MIGUEL MEETING OF GOU OFFICIALS IN AUGUST HAVE ARRIVED, AND IMPLEMENTATION PERFORMANCE SO FAR HAS BEEN MOSTLY GOOD. FOLLOWING IS A SUMMARY OF ACTION TO DATE: A) DRAFT LAWS FOR FOREIGN INVESTMENT, INDUSTRIAL PROMOTIN, AND MARBLE AND GRANITE EXPLOITATION HAVE BEEN FINISHED, AND ARE TO BE PRESENTED TO THE INTER-MINISTERIAL PLANNING COMMISSION TODAY (SEPTEMBER 21); B) CALLS FOR BIDS HAVE BEEN ISSUED FOR SEVERAL OF THE ROADBUILDING PROJECTS INCLUDED IN THE EMERGENCY PUBLIC-WORKS PROGRAM.
C) THE WAGE AND PRICE BOARD (COPRIN) HAS APPROVED THE RESTRUCTURING OF THE PRICE CONTROL SYSTEM ALONG THE LINES PROPOSED BY THE SAN MIGUEL MEETING, THOUGH ACTION ON SPECIFIC COMMODITIES HAS NOT YET BEEN TAKEN. D) A DIRECTIVE HAS BEEN ISSUED TO GOVERNMENT MINISTRIES ESTABLISHING PROCEDURES FOR RE-ALLOCATING SURPLUS EMPLOYEES AMONG THE MINISTRIES. E) PROCEDURES HAVE BEEN DRAFTED
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THAT ESTABLISH CRITERIA FOR SELECTION OF FOREIGN FISHING FIRMS TO

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IN URUGUAYAN WATERS AND USE ONSHORE FACILITIES. F) THE MINI-DEVVALUATION POLICY WAS REAFFIRMED WITH A DEVALUATION ON SEPTEMBER 14. IN RELATED MOVES, THE CENTRAL BANK OPENED UP THE FINANCIAL EXCHANGE MARKET TO PROFIT REMISSIONS AND BEGAN ISSUING PAYMENTS FOR COMMERCIAL ARREARS THAT HAD BUILT UP DURING 1971 AND 1972.

2. THE ONLY MAJOR AREA WHERE A SAN MIGUEL TARGET HAS NOT BEEN MET IS THE ESTABLISHMENT OF A POLICY FOR THE 1973-74 WOOL CLIP. THE GOVERNMENT HAS SO FAR BEEN UNABLE TO AGREE ON A WOOL POLICY, THOUGH SOME DECISION IS EXPECTED WITHIN THE NEXT SEVERAL DAYS.

3. THE GOU HAS SO FAR BEEN ABLE TO MAINTAIN ITS MOMENTUM WITH REGARD TO THE SAN MIGUEL REFORMS AND THE PROGRESS TO DATE HAS BEEN ENCOURAGING. THE MOST DIFFICULT PHASE OF THE PROGRAM STILL LIES AHEAD, HOWEVER, WHEN THE DRAFT PROPOSALS HAVE TO BE CONVERTED INTO APPROVED DECREES OR LAWS. THE DRAFT LAWS ON FOREIGN INVESTMENT AND INDUSTRIAL PROMOTION BOTH SEEM TO BE APPROPRIATE INSTRUMENTS FOR ACHIEVING THE GOVERNMENT'S DEVELOPMENT OBJECTIVES, AND THE FISHING INDUSTRY PROPOSALS HAVE CLEARLY STIMULATED CONSIDERABLE INTEREST ON THE PART OF FOREIGN INTERESTS.

4. AT THE SAME TIME THAT THE SAN MIGUEL DECISION ARE BEING IMPLEMENTED, PLANNING FOR THE SECOND GOU THINK-SESSION ON OCT 6 HAS BEEN MOVING AHEAD. THE OCTOBER MEETING SHOULD RESULT IN ANOTHER PERHAPS EVEN MORE SIGNIFICANT, ROUND OF IMPORTANT POLICY DECISIONS, THIS TIME INVOLVING GOVERNMENT ENTERPRISES, SOCIAL SECURITY REFORM, AND HEALTH.

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